

Press Release

Golden Food Products

03 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Crore
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.12.00 crore bank facilities of Golden Food Products (GFP). The outlook is '**Stable**'.

Established in 1998, Golden Food Products is a Punjab based partnership firm engaged in processing of rice, paddy, rice bran among other products. The firm is led by Mr. Baldev Krishan and Mr. Megh Raj. The manufacturing facility is located in Nabha (Punjab) with operating capacity of 3 tons per hour.

Key rating drivers

Strengths

Experienced management

GFP was incorporated in 1998, thus, has a track record of over two decades. The Partners, Mr. Baldev Krishan and Mr. Megh Raj have experience of over three decades in the agro processing industry.

Weaknesses

Modest scale of operations and profitability

GFP has modest scale of operations marked by operating income of Rs.26.02 crore in FY2017 as against Rs.13.16 crore in the previous year. The firm has reported revenues of Rs.28.10 crore in FY2018 (Provisional). The operating margins declined to 4.66 percent in FY2017 as against 12.52 percent in FY2016. Further, the Profit After Tax (PAT) margins stood at 0.27 percent in FY2017 as against 0.46 percent in FY2016.

Weak financial risk profile

GFP has moderate financial risk profile marked by net worth of Rs.1.66 crore as on 31 March 2017 as against Rs.1.37 crore as on 31 March 2016. The firm has high gearing of 4.59 times as on 31 March 2017 as against 12.35 times as on 31 March 2016. The total debt of Rs.7.64 crore as on 31 March 2017 comprises of Rs.0.22 crore of term loan, Rs.2.15 crore of unsecured loans from partners and Rs.5.27 crore of working capital facility. The firm has moderate interest coverage ratio (ICR) of 1.18 times in FY2017 as against 1.13 times in FY2016.

Working capital intensive operations

GFP operations have remained working capital intensive, albeit improvement in Gross Current Assets to 148 days in FY2017 as against 602 days in FY2016 was observed. This is mainly due to reduced inventory requirement to 126 days in FY2017 from 626 days in FY2016. GFP has debtors outstanding of 17 days in FY2017 as against 35 days in FY2016. SMERA believes that efficient working capital management will remain critical to maintain a stable credit profile.

Exposure to agro climatic risks and competitive industry

Since the firm is engaged in the processing of agro based products, business risk profile is exposed to agro climatic risks. The agro processing industry is highly competitive and fragmented with several organised and unorganised players. The intense competition and low value addition in the agro processing industry

puts pressure on the operating margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of GFP to arrive at the rating.

Outlook- Stable

SMERA believes that GFP will maintain a 'Stable' outlook in the medium term on the back of established operations and long standing experience of the partners. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in scale of operations along with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or further elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.02	13.16	13.52
EBITDA	Rs. Cr.	1.21	1.65	1.27
PAT	Rs. Cr.	0.07	0.06	0.06
EBITDA Margin	(%)	4.66	12.52	9.42
PAT Margin	(%)	0.27	0.46	0.44
ROCE	(%)	7.95	8.47	12.44
Total Debt/Tangible Net Worth	Times	4.59	12.36	13.24
PBDIT/Interest	Times	1.18	1.13	1.20
Total Debt/PBDIT	Times	6.30	10.13	13.12
Gross Current Assets (Days)	Days	148	602	659

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading entities-<https://www.smera.in/criteria-trading.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.03	SMERA B+/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.40	SMERA B+/ Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.57	SMERA B+/ Stable

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Leena Gupta Analyst – Rating Operations Tel: 022-67141172 leena.gupta@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.